

VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting

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| SUBJECT: | SUBMITTED BY: |
| Employee Benefits Renewal Contracts and Medical Plan Amendments for FY2016 | Dennis Burke Director of Human Resources |

SYNOPSIS

Resolutions have been prepared to authorize approval of employee benefits renewals contracts and plan amendments for FY16.

STRATEGIC PLAN ALIGNMENT

The goals for 2011-2018 include *Steward of Financial Sustainability*.

FISCAL IMPACT

The FY16 health insurance budget includes \$1,065,095 for claims administration, stop loss contracts and Wellness Health Initiative. The vendors and contract amounts for FY15 and FY16 are itemized below:

| Vendor | Contract Item | FY2015 Amount | FY2016 Amount |
|-----------------------------------|---|-----------------------------------|--------------------------|
| Blue Cross/Blue Shield | Medical Claim Administration | \$245,438 | \$265,887.36 |
| Blue Cross/Blue Shield | Specific and Aggregate Stop Loss | \$429,723 | \$386,137.76 |
| Delta Dental | Dental Program Claim Administration | \$20,064 | \$20,602.44 |
| Eye Med | Vision Program Claim Administration | \$44,271 (Delta Vision/TruAssure) | \$33,254.04 |
| Subtotal | | \$739,496 | \$705,881.60 |
| Humana | Medicare Advantage Program for Retirees over 65 | \$221,664 | \$241,381.92 |
| National Insurance Services Trust | Life Insurance | \$76,156 | \$83,504 |
| National Insurance Services Trust | Disability Benefits | \$27,666 | \$27,666 |
| Total | | \$1,064,982 | \$1,058,433.52 |

RECOMMENDATION

Approval on the October 20, 2015 consent agenda.

BACKGROUND

The recommended contracts provide the necessary administration and support for the Village's Health Insurance program, which has a total budget of \$6.8 million as shown in the FY16 Proposed Budget. The budget also describes how the Village has positioned itself well to effectively control health insurance costs and respond to the requirements of the Patient Protection Affordable Care Act.

A summary of the 2016 employee benefits contracts is provided below:

- *Medical Claim Administration* – The Village has a self-funded medical plan and contracts with an outside vendor to provide claim administration on behalf of the Village. Claim administration includes medical and prescription drug claim adjudication, pre-certification and medical case management services. On an annual basis, staff reviews the claim administration services received from the vendor. Also reviewed is the relationship the vendor has with preferred provider organizations (PPO) to ensure the discounts received through the PPO contracts are cost effective to both the employee and the Village. The Village has contracted with Blue Cross/Blue Shield of Illinois for these services since 2011. Blue Cross has provided a renewal quote for 2016 for claims administration at \$47.40 per employee/per month. Blue Cross also charges a fee to access their PPO network. This fee is offset by the significant savings the Village realizes through the Blue Cross PPO discounts. Total annual costs for medical claims administration for 2016 which includes the PPO access fee are \$265,887.
- *Stop Loss Coverage* - The Village purchases stop loss coverage to limit its financial exposure. Stop loss coverage provides insurance for catastrophic medical claims of participants in the Village's group health care plan. There are two types of stop loss coverage, specific and aggregate. Specific stop loss insurance provides a point at which time the insurance company becomes responsible for any claims after an individual insured reaches a pre-determined limit in the contract year. As part of the annual review, staff directs the Village's consultant, the Horton Group, to recommend to the Village the most appropriate point for specific stop loss coverage. The consultant reviews specific claim data on the Village's group and determines if it is cost effective for the Village to take on additional claim exposure. For 2016 the consultant determined that the Village should remain at the current \$150,000 specific stop loss level. The Village does obtain alternative quotes on stop loss coverage on an annual basis. Blue Cross's quote for stop loss totals \$374,189 annually.
- *Dental* – The Village provides employees a dental program administered by Delta Dental Plan of Illinois. Under this program, employees utilize PPO network providers where services are received at discounted rates and benefits are primarily paid in full. Employees also have the flexibility of going out-of-network; however, they would receive coverage that is less comprehensive. Fees for administration of the Delta Dental program for 2016 are \$20,602.
- *Vision* – The Village will switch to Eye Med PPO for vision coverage in FY16, resulting in savings of \$11,000. With the assistance of the Village's Broker, the Village sought quotes for vision coverage. Eye Med will provide additional incentives which were not available with the Delta Vision program. Premium costs for 2016 are \$33,254.
- *Retiree Program* – Medicare Advantage Program for Retirees Over 65 – State law requires that the Village offer health insurance to retirees. Currently, retirees over 65 go into a fully insured carve-out

plan through Humana. Retirees are expected to pay full premium except for those employees who retired prior to September 9, 2009 who pay 50% premium. The premium costs for 2016 are \$241,381.

- *Long Term Disability Insurance (LTD)* – LTD is a benefit for all full time employees except sworn Police or Fire employees who are covered through the pension plan. Premium costs for FY16 are \$27,666.
- *Life Insurance* - Life Insurance is offered as an employee benefit. The premium for Life Insurance for 2016 is \$83,504.

ATTACHMENTS

Resolutions

Contracts

RESOLUTION NO.

**A RESOLUTION AUTHORIZING A
VISION INSURANCE CONTRACT BETWEEN
THE VILLAGE OF DOWNERS GROVE
AND EYEMED**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Contract (the "Contract"), between the Village of Downers Grove (the "Village") and EyeMed ("EyeMed"), for an employee vision insurance program effective January 1, 2016, as set forth in the form of the Contract submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Contract, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Contract.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____
Village Clerk

Village of Downers Grove
Supplement
Option 1

| Progressive Price List* | Member Cost In-Network (Includes Lens Copay) |
|---|---|
| Standard Progressive | \$90 copay |
| Premium Progressives as Follows: | |
| Tier 1 | \$110 Copay |
| Tier 2 | \$120 Copay |
| Tier 3 | \$135 Copay |
| Tier 4 | \$90 Copay, 80% of charge less \$120 Allowance |
| Anti-Reflective Coating Price List* | Member Cost In-Network |
| Standard Anti-Reflective Coating | \$45 |
| Premium Anti-Reflective Coatings as Follows: | |
| Tier 1 | \$57 |
| Tier 2 | \$68 |
| Tier 3 | 80% of charge |
| Other Add-ons Price List | Member Cost In-Network |
| Photochromic (Plastic) | 80% of Retail |
| Polarized | 80% of charge |
| EyeMed Vision Care reserves the right to make changes to the products on each tier and the member out-of-pocket costs. | |
| *Fixed pricing is reflective of brands at the listed product level. All providers are not required to carry all brands at all levels. | |

For a current listing of brands by tier, go to:

<http://www.eyemedvisioncare.com/theme/pdf/microsite-template/eyemedlenslist.pdf>

| Vision Care Services | Member Cost In-Network | Out-of-Network Reimbursement* |
|---|--|-------------------------------|
| Exam with Dilatation as Necessary | \$10 Copay | \$40 |
| Exam Options: | | |
| Standard Contact Lens Fit and Follow-Up: | Up to \$55 | N/A |
| Premium Contact Lens Fit and Follow-Up: | 10% off Retail Price | N/A |
| Frames: | | |
| Any available frame at provider location | \$0 Copay; \$100 Allowance, 20% off balance over \$100 | \$70 |
| Standard Plastic Lenses | | |
| Single Vision | \$25 Copay | \$30 |
| Bifocal | \$25 Copay | \$50 |
| Trifocal | \$25 Copay | \$70 |
| Lenticular | \$25 Copay | \$70 |
| Standard Progressive Lens | \$90 Copay | \$50 |
| Premium Progressive Lens | \$90 Copay, 80% of Charge less \$120 Allowance | \$50 |
| Lens Options: | | |
| UV Treatment | \$15 | N/A |
| Tint (Solid and Gradient) | \$15 | N/A |
| Standard Plastic Scratch Coating | \$15 | N/A |
| Standard Polycarbonate - Adults | \$40 | N/A |
| Standard Polycarbonate - Kids under 19 | \$40 | N/A |
| Standard Anti-Reflective Coating | \$45 | N/A |
| Polarized | 20% off Retail Price | N/A |
| Other Add-Ons | 20% off Retail Price | N/A |
| Contact Lenses (Contact lens allowance includes materials only) | | |
| Conventional | \$0 Copay; \$100 allowance, 15% off balance over \$100 | \$100 |
| Disposable | \$0 Copay; \$100 allowance, plus balance over \$100 | \$100 |
| Medically Necessary | \$0 Copay, Paid-in-Full | \$210 |
| Laser Vision Correction Lasik or PRK from U.S. Laser Network | 15% off Retail Price or 5% off promotional price | N/A |
| Additional Pairs Benefit: | Members also receive a 40% discount off complete pair eyeglass purchases and a 15% discount off conventional contact lenses once the funded benefit has been used. | N/A |
| Frequency: | | |
| Examination | Once every 12 months | |
| Lenses or Contact Lenses | Once every 12 months | |
| Frame | Once every 24 months | |
| | Monthly Rate | Expected Enrollment |
| Subscriber | \$3.47 | 99 |
| Subscriber + Family | \$8.86 | 274 |
| Monthly Expected Total Premium | \$2,771.17 | |
| Annual Expected Total Premium | \$33,254.04 | |

All plans are based on a 48-month contract term and 48-month rate guarantee.
 Premium is subject to adjustment even during a rate guarantee period in the event of any of the following events: changes in benefits, employee contributions, the number of eligible employees, or the imposition of any new taxes, fees or assessments by Federal or State regulatory agencies

* Member Reimbursement Out-of-Network will be the lesser of the listed amount or the member's actual cost from the out-of-network provider. In certain states members may be required to pay the full retail rate and not the negotiated discount rate with certain participating providers. Please see EyeMed's online provider locator to determine which participating providers have agreed to the discounted rate

Additional Discounts:
 Member receives a 20% discount on items not covered by the plan at network Providers. Discount does not apply to EyeMed Provider's professional services, or contact lenses. Plan discounts cannot be combined with any other discounts or promotional offers. Services or materials provided by any other group benefit plan providing vision care may not be covered.
 Members also receive 15% off retail price or 5% off promotional price for Lasik or PRK from the US Laser Network, owned and operated by LCA Vision.
 After initial purchase, replacement contact lenses may be obtained via the Internet at substantial savings and mailed directly to the member. Details are available at www.eyemedvisioncare.com.
 The contact lens benefit allowance is not applicable to this service.
 Benefit Allowances provide no remaining balance for future use within the same Benefit Frequency.
 Certain brand name Vision Materials in which the manufacturer imposes a no-discount practice.
 Rates are valid only when the quoted plan is the sole stand-alone vision plan offered by the group
 Rates are valid for groups domiciled in the State of IL.
 Fees quoted will be valid until the 1/1/2016 plan implementation date. Date quoted: 9/2/2015.
 Rates assume greater than 80% Employer contribution for employees and dependents or that the vision program is bundled with medical/dental benefit.
 Insured Plans are underwritten by Fidelity Security Life Insurance Company of Kansas City, Missouri, except in New York
 Policy number VC-19/VC-20, form number M-9083

RATES ASSUME GREATER THAN 80% EMPLOYER CONTRIBUTION

Plan Exclusions:
 1) Orthoptic or vision training, subnormal vision aids and any associated supplemental testing; Aniseikonic lenses; 2) Medical and/or surgical treatment of the eye, eyes or supporting structures;
 3) Any eye or Vision Examination, or any corrective eyewear required by a Policyholder as a condition of employment; Safety eyewear
 4) Services provided as a result of any Workers' Compensation law, or similar legislation, or required by any governmental agency or program whether federal, state or subdivisions thereof;
 5) Plano (non-prescription) lenses and/or contact lenses; 6) Non-prescription sunglasses; 7) Two pair of glasses in lieu of bifocals;
 8) Services rendered after the date an Insured Person ceases to be covered under the Policy, except when Vision Materials ordered before coverage ended are delivered,
 and the services rendered to the Insured Person are within 31 days from the date of such order; 9) Services or materials provided by any other group benefit plan providing vision care;
 10) Lost or broken lenses, frames, glasses, or contact lenses will not be replaced except in the next Benefit Frequency when Vision Materials would next become available.

If Village of Downers Grove has chosen this benefit design, sign here:

Signature _____

Date _____

TCO